

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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P R 112220Z APR 75

FM SECSTATE WASHDC

TO AMEMBASSY LIMA PRIORITY

INFO USMISSION GENEVA

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E.O.11652:N/A

TAGS: ETRD, GATT, PE

SUBJECT:GATT BALANCE OF PAYMENTS (BOP) COMMITTEE: PERU

CONSULTATIONS

REFERENCES: (A) GENEVA 2317; (B) LIMA 2532; (C) STATE 57132

1. WE ARE SOMEWHAT DISAPPOINTED AT PERUVIAN ATTITUDE EXPRESSED THUS FAR IN DISCUSSIONS WITH EMBASSY RE ITS GATT OBLIGATIONS (REFTEL B). OF PARTICULAR CONCERN IS THE APPARENTLY EMERGING ANTIPATHY WITHIN GOP TOWARD PHILOSOPHY OF AN OPEN, MULTILATERAL TRADING SYSTEM AS EMBODIED IN GATT RULES AND
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PROCEDURES. PERUVIAN REACTION TO EMBASSY DEMARCHE AP-

PEARS OUT OF PROPORTION TO THE ISSUE IN QUESTION, NAMELY, THEIR COMPLIANCE WITH MINIMUM BOP REPORTING REQUIREMENTS CONSISTENT WITH OBLIGATIONS UNDER GATT ARTICLE XVIII. POSSIBLY GOP HAS MISPERCEPTION RE CONTENT AND OBJECTIVE OF PERIODIC GATT BOP REVIEWS (WITH WHICH THEY HAVE HAD NO RECENT EXPERIENCE).

2. AS IN CASE OF MOST DEVELOPING COUNTRIES SUFFERING FROM PAYMENTS IMBALANCES, PERU SHOULD HAVE LITTLE DIFFICULTY IN JUSTIFYING ITS QUANTITATIVE RESTRICTIONS UNDER ARTICLE XVIII, SECTION B. ARTICLE XVIII PERMITS WIDE LATITUDE FOR DEVELOPING COUNTRIES IN THEIR USE OF RESTRICTIVE MEASURES TO COMBAT BOP DIFFICULTIES. PERIODIC REVIEW BY THE GATT CONTRACTING PARTIES IS INTENDED TO PREVENT ABUSES OF THIS SPECIAL TREATMENT FOR DEVELOPING COUNTRIES AND AT THE SAME TIME ENCOURAGES THEM TO REEXAMINE ON A CONTINUING BASIS THEIR OWN APPROACHES TO BOP PROBLEMS. WE DO NOT BELIEVE THAT ANY COUNTRY SHOULD VIEW SUCH PROCEEDINGS AS A THREAT GIVEN THE FLEXIBILITY ALLOWED THEM UNDER THE GATT TO STRUCTURE THEIR IMPORT REGIMES TO IMPLEMENT TRADE POLICIES AIMED AT PROMOTING THEIR ECONOMIC DEVELOPMENT.

3. PRINCIPAL U.S. OBJECTIVE IN BOP COMMITTEE CONTEXT IS TO MAINTAIN REGULAR PATTERN OF GATT REVIEW OF DEVELOPED AND DEVELOPING COUNTRY BOP RESTRICTIONS, INCLUDING FULL REPORTS BY COUNTRIES CONCERNED RE THEIR SYSTEM AND METHOD OF RESTRICTIONS IN EFFECT. WE HAVE NO ILLUSION ABOUT PROSPECTS FOR PERUVIAN TRADE LIBERALIZATION SINCE PERU'S BOP SITUATION HAS DETERIORATED SUBSTANTIALLY OVER THE PAST SIX MONTHS AND THE OUTLOOK FOR THE REMAINDER OF 1975, AS NOTED BY EMBASSY AS WELL AS IMF, IS FOR FURTHER DECLINE. GIVEN THIS SITUATION, PERU SHOULD HAVE NO PROBLEM JUSTIFYING CURRENT LEVEL OF RESTRICTIONS UNDER APPROPRIATE GATT PROVISIONS. WE HAVE NO DESIRE TO PUSH GOP INTO BOP COMMITTEE ARENA PRECIPITOUSLY AND WOULD FIND LATE FALL REVIEW SUGGESTED BY EMBASSY HIGHLY ACCEPTABLE. WE HAVE SUGGESTED NO SPECIFIC TIME FRAME FOR CONSULTATIONS EXCEPT A PREFERENCE THAT THEY SHOULD TAKE PLACE IN 1975. EMBASSY SHOULD, IN AN APPROPRIATE MANNER, CONVEY TO GOP SUBSTANCE OF PARAGRAPHS 2 AND 3.

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4. FOR TIME BEING, EMBASSY SHOULD NOT RAISE ISSUE OF PERU'S CONTINUED MEMBERSHIP IN THE GATT. WE BELIEVE FOR A NUMBER OF REASONS (AS NOTED IN GENEVA 2317) IT IS BEST FOR VIABILITY OF GATT THAT NO SPECIAL PLEA BE MADE TO KEEP COUNTRIES IN THE GATT IF THEY CONSIDER MEMBERSHIP INCONSISTENT WITH THEIR INTERESTS AND ARE DISINCLINED TO COMPLY WITH THE MINIMUM REQUIREMENTS EXPECTED OF THEM UNDER THE

AGREEMENT.

5. WHILE OUR IMMEDIATE OBJECTIVE UNDER ARTICLE XVIII IS TO GET PERU AND OTHERS TO UNDERTAKE FULL REPORTING OF THEIR TRADE RESTRICTIONS, BOP DISCUSSIONS ALSO ARE INTENDED TO ENCOURAGE IMPORT LIBERALIZATION IN THE LONG RUN AND ADOPTION OF MORE RATIONAL AND OUTWARD-LOOKING TRADE POLICIES COMPLIANCE WITH BASIC REPORTING PROCEDURES IS A CRUCIAL FIRST STEP IN THIS PROCESS, FOR IT CAN PROVIDE THE BASIS AT A LATER DATE FOR BOP COMMITTEE REQUESTS FOR LIBERALIZATION WHEN WARRANTED BECAUSE OF IMPROVED DOMESTIC ECONOMIC CONDITIONS. WE NOTE, FOR EXAMPLE, THAT IN 1972-73 PERU ENJOYED LONG PERIOD OF ECONOMIC EXPANSION AND FAVORABLE BALANCE OF PAYMENTS WITHOUT MAKING EFFORT TO RATIONALIZE OR DISMANTLE ITS SYSTEM OF RESTRICTIONS. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEMBERSHIP, ECONOMIC REPORTS, BALANCE OF PAYMENTS, TRADE ORGANIZATIONS, GOVERNMENT REACTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE083579
Document Source: CORE
Document Unique ID: 00
Drafter: EB/OT/GCP:E.L.WILLIAMS:CEJ
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750127-0780
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750457/aaaacaly.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 GENEVA 2317, 75 LIMA 2532, 75 STATE 57132
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 18 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 JUN 2003 by BoyleJA>; APPROVED <19 DEC 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ATT BALANCE OF PAYMENTS (BOP) COMMITTEE: PERU CONSULTATIONS
TAGS: ETRD, PE, GATT
To: LIMA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006